



# JULIE LASSA

## STATE SENATOR

Senate Bill 528 Testimony  
Senate Committee on Labor, Elections, and Urban Affairs  
Room 201 Southeast  
11:00 a.m.

Chairman Coggs and Committee Members,

Thank you for the opportunity to testify today on Senate Bill 528, which I am proud to co-author with Representative Hines at the request of several municipalities in our districts which have joined together to create a joint fire district.

To give you some background, I was approached along with Representative Hines by the Oxford Fire District (which includes the Village and Town of Oxford, and the Town of Jackson) with a concern regarding the building of the Fire District's new fire station. Senate Bill 528 would address their concern, as it relates to expanding an exception in the local levy limits for debts incurred by such joint fire departments.

In the recent state budget, the legislature included an exemption for revenue bonds from the levy caps for individual municipalities. It was the understanding of the Legislative Fiscal Bureau that this exception would apply to payments a municipality made to a joint fire department, such as the Oxford Fire District, to pay off its revenue bonds.

Since passing the budget, however, the Department of Revenue's interpretation was that this was not the case. Revenue instead stated that since a joint fire department was not considered a "political subdivision" and therefore not subject to the levy caps, the revenue exception for the municipalities in the district would not apply to joint fire departments.

The original purpose of allowing the creation of joint fire departments was to allow municipalities to pool their resources together to save taxpayers money, an admirable goal and a valid place for efficiencies in government. Unfortunately though, under the current interpretation, if a joint fire department needs to build a

new fire station, they'd actually be better off going at it alone. Without the exemption, these municipalities are essentially being penalized by the state for trying to provide better fire coverage because they tried to save money.

Since it was the intent of the Legislature during the budget process to exclude these payments from local levy limits, SB 528 states that payments made by a municipality to a joint fire department to pay off a revenue bond held by a joint fire department for the construction of a fire station, would be exempt from the levy caps.

Thank you for your time and consideration of this legislation. I'd be happy to answer any questions that you might have.



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**Jim Doyle**  
Governor

**Roger M. Ervin**  
Secretary of Revenue

## Senate Committee on Labor, Elections and Urban Affairs Hearing, March 5, 2008

### **2007 SB 528 – Regarding Expanding an Exemption to Local Levy Limits for Levies for Debts Incurred by a Joint Fire Department -- Senator Lassa**

#### *Description of Current Law and Proposed Change*

Under current law, for the tax levy imposed in December 2008, a municipality generally may not increase its levy by a percentage that is greater than 2% or the percentage increase in the municipality's equalized value due to net new construction. The law permits several exceptions and adjustments when calculating the limit, such as the cost of services transferred to or from another government, annexations of territory, debt service on debts authorized on or after July 1, 2005, and for revenue shortfalls on any municipal-issued revenue bond.

The bill creates a new exception to the municipal levy limit. Under this exception, revenue shortfalls on revenue bonds issued by a joint fire department that serves a municipality will qualify for the exemption if (a) the bonds were issued for the joint fire department, but the debt is ultimately the responsibility of the participating municipalities, (b) the joint fire department used the bond proceeds to pay for a fire station, and (c) the municipalities participating in the joint fire department are assessed their share of the debt service on the bonds.

#### *Fairness/Tax Equity*

- If a municipality borrows money to build a fire station, the debt service on the borrowing would be exempt from the levy limit. Under current law, the exemption does not apply to debt incurred by a joint fire department since the debt is not a direct debt of the municipality. The bill eliminates this difference in treatment.

#### *Impact on Economic Development*

- The bill has no impact on economic development.

#### *Administrative Impact/Fiscal Effect*

- The Department of Revenue (DOR) is aware of one joint fire department to which the bill would apply – the Oxford Fire District, which serves the Village of Oxford and Town of Oxford in Marquette County and the Town of Jackson in Adams County. There may be other joint fire departments to which the provisions of the bill will apply.
- The financial data collected by DOR from municipalities does not show the amount of debt for which a municipality could be liable due to bonds issued by a joint fire department. In addition, fire departments do not file financial statements with DOR. Although it is not

possible to estimate the additional property taxes that municipalities could impose if the bill were enacted, given the limitations on when the exception applies, the potential increase in statewide municipal property taxes is expected to be minimal. The bill may, however, have a distinct impact on specific municipalities.

- DOR administrative costs are expected to be minimal.

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